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SUBJECT: SOUTHWEST CHINA: ENERGY EFFICIENCY UP AS OFFICIALS EMPHASIZE
FAMILIAR TACTICS

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11. (U) This cable contains sensitive but unclassified information - not for distribution on the Internet.

12. (SBU) Summary: Industrial energy efficiency progress was highlighted in a recent government-sponsored conference held in Chengdu, which drew little attention despite government emphasis on publicizing the importance of energy efficiency. Consulate local contacts remarked that these conferences are disconnected from reality, and they have little interest in attending them. That said, Chinese government statistics released in late June show that provinces and municipalities in the Southwest are becoming more energy efficient, although the most substantial indicators of improvement come from a narrow statistical definition of industrial value added production. End Summary.

Energy Efficiency through Structural Adjustment and Technology

13. (U) More than 130 guests from around China attended the 2009 China Industrial Energy Efficiency Conference held in Chengdu from June 30 - July 1, according to an employee with the Center for Industrial Efficiency that helped organize the event. Officials from Beijing, Shanghai, Sichuan and other provinces filled the schedule on the first day of the conference. On the second day, representatives from industry associations including coal, cement, oil and gas, and nonferrous metals each gave short presentations. In his opening speech, Wang Jianming, Deputy Director of Sichuan's Provincial Economic Commission emphasized promoting energy-saving technology, particularly in targeted industrial sectors.

14. (U) Wang highlighted long-standing themes in China's energy efficiency drive including eliminating small, inefficient production and improving legal and administrative oversight of industry. Sichuan seeks to become more energy efficient by increasing the value-added component of manufacturing and stream-lining supply chains. This implies a structural shift in Sichuan's economy - which Wang raised separately - to greater secondary and tertiary production. A vice president from the China Cement Association said that the cement industry was saving energy by increasing production of a new kind of concrete

and eliminating less energy efficient cement production. A deputy secretary from China's Coal Processing and Utilization Association similarly emphasized industrial efficiency and technological advances to reduce energy consumption.

Media Coverage Low, Some Contacts Question Value

15. (SBU) Local media are often invited to attend events and encouraged to report on topics the provincial government seeks to publicize, but the days following the conference saw very few such stories. Despite Wang's call to increase publicity around energy saving, a Sichuan government-affiliated website was the only local outlet with significant information on the conference. Even a portal website for energy-related information (www.China5e.com) did not appear to have any stories on the event. The Center for Industrial Energy Efficiency ran an article on the Chinese language portion of their website, and posted a short article on the English language portion of the site.

16. (SBU) Some of Congenoff's local contacts are skeptical about the value of participating in government-sponsored conferences like this one. One environmental NGO contact recently told Congenoff that government-sponsored conferences focus on things officials care about (*guan shi*), but he is more focused on reality (*shi shi*). He implied that is why he would not attend a conference like this one on energy efficiency. A separate contact with an academic background has lamented that during

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formal events, local officials often convey only the official government line.

New Statistics Show Energy Efficiency Gains

17. (SBU) Recently released Chinese government energy efficiency figures for calendar year 2008 show that while Southwest China's provinces and municipalities are becoming more energy efficient, they still lag behind the more prosperous coastal municipalities. Chongqing municipality, Guizhou Province, Yunnan Province, and Sichuan Province all showed energy reductions per unit of GDP of between about 3.5 - 6 percent compared to the previous year. Data for the Tibetan Autonomous Region was excluded from the national report. Since the beginning of the 11th Five-Year Program (FYP) in 2005, the three provinces and one municipality have recorded 9.7 - 11.5 percent declines. This is only about half of the reduction that China targeted nationally during the FYP, however. Guizhou Province is the least energy efficient province in China, according to the new report, using roughly 4 times more energy than does Beijing municipality to generate a unit of GDP. Chongqing, Sichuan, and Yunnan, while significantly more efficient than Guizhou, all rank in the bottom half of the list.

18. (SBU) Southwest China's gains in energy efficiency, when measured relative to industrial value added production (IVA), were substantially greater than those measured relative to GDP. Sichuan's efficiency on an IVA basis showed a 5.6 percent decline last year compared to 2007, and Chongqing showed a 12.6 percent reduction during the same period. Official figures for

Southwest China's show 20 - 30 percent declines in energy consumption per unit of IVA since the start of the FYP.

Comment: Statistician Can't Explain Troubling Inconsistency

19. (SBU) Congenoff found the rather modest declines in energy consumption per unit of GDP surprising given the 30 percent decline in Sichuan's energy consumption as a portion of IVA. Industry in Sichuan accounted for 71-75 percent of energy consumption from 2005 - 2007, according to official government statistics. However, when questioned about the large difference between the figures, an official at the Sichuan Bureau of Statistics (SBS) explained only by saying that IVA did not include all secondary production, which is mining, manufacturing, power generation, and construction. Official statistics show that IVA as the official defined it, accounted for about 34-37 percent of provincial GDP from 2005-2007, but still does not seem to explain the large disparity between IVA efficiency and overall efficiency. The official at SBS during a follow up phone call was unable to explain this statistical inconsistency - how this murkily defined IVA exceeded the 20 percent reduction in the FYP target but energy efficiency relative to GDP did not.

BOUGHNER